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Kenya

TREE NUTS ANNUAL

Kenya Macadamia Annual Report

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Report Highlights:

The government of Kenya recently initiated an export ban on all in-shell tree nuts. Reportedly however, the ban has not impeded the buying of in-shell nuts by local traders who normally export to in-shell destinations such as China, Hong Kong and India. While the ban may have been fashioned to enhance the export potential of Kenyan processors/shelled-nut-exporters during the remaining second harvest, the continued drought will likely reduce in-shell exports much more than the export ban.

Executive Summary:

Effective June 2009, the Government of Kenya (GOK) prohibited exports of in-shell macadamia and cashew nuts. The measure was likely intended to pressure local producers to sell to domestic processors who employ local Kenyans to add value to the domestic production before it is exported. Kenyan macadamia nut processors only buy domestic tree nut in-shell for processing to meet export demand when their expected net financial margin merits the risks. Theoretically the GOK removed the most important market for the current second-crop in-shell macadamia harvest and domestic in-shell prices should have dropped, creating a better financial environment for processor exports. However, anecdotal reporting indicates that traders continue to buy the drought-reduced second crop, leaving processors to question the perceived effectiveness of the GOK ban.

Kenyan macadamia nut producers will likely harvest fewer nuts this MY, mostly because of reduced yields due to widespread and prolonged drought. the drought-reduced second crop production may have, in fact, precipitated the GOK's decision to effectuate an export ban. Kenyans don't eat macadamia nuts, leaving only the world market for domestic macadamia processors. The relatively insignificant Kenyan shelled exports, vis-à-vis total world trade, do not influence world prices.

As a result principally of drought reduced second crop prospects, Kenya in-shell and shelled macadamia exports will not likely reach last year's record levels. FAS/Nairobi estimates that shelled macadamia exports will reach about five thousand tons (converted to in-shell), and in-shell exports will reach about 7,000 tons during the current marketing year.

Commodities:

Macadamia, Inshell Basis

Production:

As a result of unfavorable weather conditions during the 2008 short rains and 2009 long rains FAS Nairobi estimates a decline of Kenya macadamia production for MY 2009. Though new planting is expected to come into production in MY 2009/10 the GOK export ban will see a reduction in area in the coming years due to expected demand decline. We estimate macadamia production for MY 2008 and 2009 as 17 thousand tons and 14 thousand tons respectively.

Consumption:

Kenya's general consumers' awareness of nuts is low and also, macadamia nuts have higher prices as compared to peanuts so consumption has not expanded. The macadamia exports ban might lead to initiation of new local cottage processing entrants leading to a possible increase in domestic consumption albeit slowly.

Trade:

With the new export ban all macadamia nuts exported will be shelled a departure from previous years where countries like Hong Kong, China and India exports were in shell.

Industry contacts, mainly macadamia processors are very optimistic of U.S. market access under AGOA preferences. Macadamia exports to the U.S. likely to go up as exports to other markets decline, especially those countries that hitherto imported raw nuts.

| Kenya Export Statistics | | | | | | | |
|---|------|-------------|-------------|-------------|-------------|---------------|---------------|
| Commodity: 080290, Nuts, Edible, Fresh Or Dried, Whether Or Not Shelled Or Peeled, Nes: Annual Series: 2003 - 2008 | | | | | | | |
| Partner Country | Unit | Quantity | | | | | |
| | | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| World | T | 3207 | 7593 | 4647 | 5350 | 7022 | 11211 |
| China* | T | 337 | 1477 | 479 | 1168 | 18 | 3752 |
| Not Determined* | T | 0 | 1 | 2 | 2 | 0 | 2526 |
| Vietnam* | T | 0 | 1174 | 120 | 1553 | 2295 | 2399 |
| Hong Kong* | T | 1528 | 3293 | 1018 | 1700 | 3492 | 2173 |
| Total In shell | | 1865 | 5945 | 1619 | 4423 | 5805 | 10850 |
| United States | T | 642 | 750 | 1034 | 419 | 712 | 136 |
| United Kingdom | T | 14 | 236 | 77 | 31 | 67 | 72 |
| Yemen | T | 0 | 0 | 0 | 0 | 75 | 57 |
| Somalia | T | 0 | 0 | 0 | 0 | 9 | 24 |
| Switzerland | T | 19 | 17 | 1168 | 0 | 1 | 17 |
| Germany | T | 95 | 97 | 42 | 85 | 191 | 0 |
| Japan | T | 362 | 310 | 0 | 0 | 54 | 1 |
| Other Countries | T | 210 | 237 | 708 | 392 | 108 | 56 |
| Total Shelled | | 1342 | 1647 | 3029 | 927 | 1217 | 363 |
| Kenya Export Statistics | | | | | | | |
| Commodity: 080260, Macadamia Nuts,Edible, Fresh Or Dried, Whether Or Not Shelled Or Peeled, Nes: Annual Series: 2003 - 2008 | | | | | | | |
| Partner Country | Unit | Quantity | | | | | |
| | | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| World | T | 0 | 0 | 0 | 0 | 0 | 892 |
| Hong Kong * | T | 0 | 0 | 0 | 0 | 0 | 228 |
| United States | T | 0 | 0 | 0 | 0 | 0 | 495 |
| United Kingdom | T | 0 | 0 | 0 | 0 | 0 | 63 |
| Canada | T | 0 | 0 | 0 | 0 | 0 | 42 |
| Netherlands | T | 0 | 0 | 0 | 0 | 0 | 27 |
| Germany | T | 0 | 0 | 0 | 0 | 0 | 16 |
| Belgium | T | 0 | 0 | 0 | 0 | 0 | 15 |
| Others | T | 0 | 0 | 0 | 0 | 0 | 7 |
| * In shell nuts | | | | | | | |
| Total in shell | | | | | | 5,805 | 11,078 |
| Total shelled converted to in shell | | | | | | 6,085 | 5,140 |
| Grand total in shell exports | | | | | | 11,890 | 16,218 |
| Used 20 % conversion | | | | | | | |

Source: Global Trade Atlas. Conversion from shelled exports to in-shell done by FAS Nairobi

Stocks:

Macadamia stocks are estimates. There is no trade or official statistics available. Kenya processors generally do not carry over stocks

Policy:

On 16th June GOK ordered a stop to exportation of raw macadamia nuts with the aim of benefitting macadamia production and processing in Kenya. As a means of protecting local tree nut producers and processors, the East African Community (EAC) uses ad valorem tariffs on shelled almonds and walnuts of 25 % and tree nut in-shell tariffs at 10 %. The AGOA trade preferences assist Kenya processors access the U.S. market one of its Key markets

Marketing:

The Kenyan distribution channel for macadamia is slowly increasing to supermarkets, general merchandise and local shops. The big processors brand and package roasted/and or salted macadamia nuts in different packaging (1 kilogram, 500 grams, 100 grams) in the domestic market.

Production, Supply and Demand Data Statistics:

| Macadamia, Wet -Inshell Basis Kenya | 2007 | | | 2008 | | | 2009 | |
|--|--------------------------------|--------|-------------|--------------------------------|--------|-------------|-----------------------------------|--------|
| | 2007/2008 | | | 2008/2009 | | | 2009/2010 | |
| | Market Year Begin: Mar 2008 | | | Market Year Begin: Mar 2009 | | | Market Year Begin: Mar 2009 | |
| | USDA Official Data | | Old Post | USDA Official Data | | Old Post | USDA Official Data | Jan |
| | | | Data | | | Data | | Data |
| Area Planted | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | | 10,000 |
| Area Harvested | 9,500 | 9,500 | 9,500 | 9,500 | 9,500 | 9,500 | | 9,500 |
| Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| Non-Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| Total Trees | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| Beginning Stocks | 2,000 | 2,000 | 2,000 | 2,150 | 2,150 | 2,360 | | 1,742 |
| Production | 12,500 | 12,500 | 13,400 | 13,500 | 13,500 | 17,000 | | 14,000 |
| Imports | 250 | 250 | 250 | 250 | 250 | 0 | | 0 |
| Total Supply | 14,750 | 14,750 | 15,650 | 15,900 | 15,900 | 19,360 | | 15,742 |
| Exports | 11,000 | 11,000 | 11,890 | 12,000 | 12,000 | 16,218 | | 12,000 |
| Domestic Consumption | 1,600 | 1,600 | 1,400 | 1,800 | 1,800 | 1,400 | | 1,400 |
| Ending Stocks | 2,150 | 2,150 | 2,360 | 2,100 | 2,100 | 1,742 | | 2,342 |
| Total Distribution | 14,750 | 14,750 | 15,650 | 15,900 | 15,900 | 19,360 | | 15,742 |

Source: 2007 and 2008 trade data are from GTA. All other estimates and forecasts are from FAS

Nairobi office